

Al Ver Remarks
Michigan House of Representatives Commerce Committee

Mr. Chairman and members of the Committee:

Good morning, Chairman Huizenga and other members of the committee. It is my pleasure to be here today to discuss House Bill 6035. My name is Al Ver, and I am a Ford Motor Company vice president, as well as the Chief Executive Officer and Chief Operating Officer of Automotive Components Holdings, LLC.

Automotive Components Holdings (ACH) is a Ford-operated business entity that manages 21 former Visteon plants and facilities in the U.S. and Mexico. We have more than 11,000 UAW and 3,700 salaried employees. Seven of our plants are located in Michigan, and about 60% of our employees are located here, as well.

We are a temporary business that will exist for as long as it takes to sell these plants and facilities to outside buyers. Since the transfer of operations from Visteon to ACH on October 1, 2005, we have moved aggressively to prepare these businesses for a future with a new owner.

As you know, these facilities were not operating at efficient and productive levels. Our mission is to turn them into sustainable and competitive businesses that have a strong chance for success in this tough economy – avoiding a path toward bankruptcy that we see many suppliers take. This represents a substantial investment, over a period of years, from Ford, which has its own competitive challenges.

In achieving this goal, we can continue to provide Ford with a pipeline of competitively-priced, high-quality components. We also can protect jobs and help sustain the economies of the communities where our employees work.

We are embracing this challenge in the midst of what some analysts have called “the perfect storm” for the automotive and automotive components industries. The difficulties that face us today are well known to each of you. Automakers like Ford and GM have made painful decisions to restructure operations. Those decisions already have had an impact on many lives, and on Michigan’s economy. Competition is continuing to tighten throughout the North American market, with more manufacturers than ever before in a make-or-break fight for customers.

I think we’ve all come to appreciate that this isn’t cyclical. This is a fundamental change in the automotive business as we know it.

The automotive components industry has been going through its own struggles and transformations. Clearly, cutbacks and restructuring at the OEMs have taken a huge toll. But there are other changes underway. The future of the components industry is toward consolidation. We expect that ultimately, the industry will be dominated by a smaller number of major components manufacturers, each of whom is highly specialized in one or two areas.

I believe ACH's businesses are in a unique position to capitalize on this trend. We're not simply offering buyers a plant and its contents. We are offering a book of business from Ford, which is an advantage that no other supplier can claim. Because it is our hope that hourly and salaried employees will go with the plants when they are sold, we also are offering to buyers a highly skilled workforce that understands the business. We've launched a comprehensive training program to enhance salaried employee skills, and to make them even more appealing to prospective buyers.

We are working in a focused way to make fundamental improvements in quality and efficiency. One enabler as we work toward leaner, more efficient organizations is the total of 5,000 buyouts already agreed to by the UAW as part of the formation of ACH. Nearly half (2,300) have been accepted. In addition to the traditional retirement or near-retirement buyouts, we have added an innovative program that provides a college or trade education of up to four years of tuition at \$15,000 a year, plus full benefits and a stipend at about half their pay.

As we improve these operations, we also are moving quickly through the first steps of the sales process. At this point, we are identifying and qualifying prospective buyers. We are searching for the "perfect match." We define a "perfect match" as a financially sound company that already is established in the automotive industry, that is committed to making high-quality products, and that has experience with unions. There already have been 100 expressions of interest to date.

We're at a unique point in our industry's history, and we must move quickly. The time is right.

It is our goal to have some sales news by the end of the year. As I've been telling our people, I believe we will do it. At the same time, I know there is much work to do to make our operations competitive.

What we are trying to achieve with ACH is innovative and bold. It has the potential to serve as a model of success for this troubled industry. Other suppliers are taking a different approach. Since our launch, we continue to read about those who have been forced into bankruptcy, such as Collins & Aikman, Tower Automotive, Meridian, Uni Boring, Federal-Mogul, Oxford Industries, Hayes Lemmerz, and, of course, Delphi. All have or had operations in Michigan.

By contrast, we're working closely with our UAW partners to find new buyers for our plants and keep them open. We are well aligned, and we all appreciate that the strategy we have undertaken is our last and best chance to save businesses and jobs. But, we need everyone's help to save these businesses and jobs. It will require the combined efforts of all key stakeholders, including business, labor and government.

House Bill 6035 can help us achieve this goal, which we know is in the best interest of Michigan. The legislation that is before you will help us succeed in selling our plants and facilities as viable, competitive businesses. Specifically, it makes the present MEGA program more flexible and allows it to apply to purchasers of these facilities.

This incentive will make these facilities more attractive to buyers and will help retain these jobs in Michigan. The competitive landscape today is razor thin, and we need all the advantages and tools possible so buyers have a reason to choose us, and to make a long-term investment in the State of Michigan and its people. We have had a number of non-U.S. companies looking at our facilities as a base to expand into the North American market, and we think Michigan is the best place for them to do so.

On behalf of the men and women of ACH, I urge you to pass House Bill 6035. This is the time for bold solutions to the problems facing the manufacturing base, and what we have outlined is a bold solution. But, as I said, we cannot do it alone.

ACH may be a temporary business, but, by working together, we can have a lasting impact on the lives of thousands of employees, on the communities they support, and on the entire State of Michigan.

Thank you.